

## **Frequently Asked Questions Regarding the Proposed Water Rate Increases**

**Q. What area of the City is affected by the proposed rate increase?**

**A.** The proposed increase applies to the area of the City served by Torrance Municipal Water (TMW), which covers approximately 80% of the City. A section of northwest Torrance and the western portion of the Hollywood Riviera area are served by the California Water Service Company and are not affected by the proposed increase. Public notifications were mailed to all municipal water customers regarding the rate increase (see link above titled Public Notice).

**Q. What are the major elements the rate proposal?**

**A.** The City is proposing annual internal increases in municipal water rates over the next five years. The overall system average for the increase would be 6.5% in 2011 and 2012, with subsequent increases in 2013, 2014 and 2015 by the change in the consumer price index (see above link titled 'Public Notice'). The rate structure would also be converted to a conservation based tiered schedule to encourage additional conservation measures mandated by recent State legislation. In addition, the current pass through adjustment to offset for higher wholesale water costs will be revised according to the new water rate model.

**Q. Why do we need to increase rates?**

**A.** With the exception of pass through adjustments to pay for higher wholesale water costs, municipal water rates have not been raised in over 15 years. The increase is needed for a number of reasons including; keep up with increases in normal operating and maintenance costs, meet regulatory requirements, fund replacement of deteriorated water pipelines and rehabilitation of other system facilities, and to provide the capital for developing lower cost local water resources to replace high cost imported water supplies. Revenues from current rates are insufficient to provide the necessary funding for these critical needs.

**Q. Where does Torrance Municipal Water (TMW) get its funding from?**

**A.** TMW is a municipally owned and operated water utility and operates as an enterprise function of the City and does not receive any tax funds. All revenues are derived from water charges and approximately 90% comes from water sales to our customers.

**Q. Why do we have to implement system replacements and develop new local water supplies?**

**A.** The municipal system has over 300 miles of water mains, most of which are 40-50 years old. These deteriorated mains must be replaced on a systematic basis at the rate of 3-5 miles per year to prevent disruptive

pipeline breaks, reduce water outages and maintain the integrity of the water system. We also need to develop additional local water supply sources. Currently, TMW relies on expensive and vulnerable imported water supplies for approximately 65% of its water needs. Proposed new groundwater wells will not only diversify our water source portfolio and enhance reliability, they will also provide a much less expensive supply source that will help keep rates down in the future.

**Q. How did the City decide on these rates?**

**A.** The City performed an in-depth water rate study, with the assistance of an experienced utility expert, to evaluate various rate options and ensure that the rate proposal was done in accordance with required cost of service criteria. In addition, the City regularly reviews its business practices to see if there are ways to improve efficiency. The proposed increase took all these factors into account to minimize the amount of the proposed increase.

**Q. What will be the impact of the rate increase on municipal customers?**

**A.** The effect of the increase will vary with customer usage. For example the average single family residential customer uses approximately 14 ccf (hundred cubic feet; each ccf = approximately 750 gallons). Based on this usage, the average monthly water charges would go from the current \$41.61 to \$43.08 beginning in March 2011 (note: most customers are billed every 2 months). To determine your charges go to the above link titled rate schedule and rate calculation tables.

**Q. When will the new rates take effect?**

**A.** In 2011 the rate increase will become effective beginning March 1, 2011. In the subsequent years of 2012 through 2015, the rates would go into effect on January 1<sup>st</sup> of each year.

**Q. What can I do to reduce the impact of the rate increase?**

**A.** The best way to minimize the impact of the proposed rate increase is to reduce your water consumption, which will reduce your usage charges. Although the water situation has improved substantially from the extended drought period of the last several years, California still faces a long term water shortage situation. Our rate plan takes into account reduced consumption, and we encourage all customers to continue to conserve. Please refer to [www.bewaterwise.com](http://www.bewaterwise.com) for easy and effective ways to conserve and save on your bill.

**Q. Will the low income senior and disabled rate be continued?**

**A.** The rate proposal maintains the low income senior and disabled rate schedule. For more information regarding eligibility, please contact the Revenue Division of the Finance Department at (310) 618-5830.

**Q. How do municipal rates compare to water utility rates in other water agencies?**

**A.** Torrance Municipal Water (TMW) rates are either the lowest or among the lowest in the area for all classes of service (see above link titled 'Presentation'). Even with the proposed increases, TMW will maintain its competitive position and our rates will continue to be among the most reasonable in the area. The City seeks to keep rates as low as possible and achieve its mission to provide high quality, reliable water service to its customers.